

by the 150 hog shortfall equals a \$798.00 Delivery Shortage Assessment for the quarter.

(3) We will calculate any Delivery Shortage Assessment and send you a written statement of the Delivery Shortage Assessment. You must pay us the Delivery Shortage Assessment within ten business days from the date of the statement. If we do not receive your payment by the due date, we may deduct the Delivery Shortage Assessment from the Contract Price for your next delivery(ies) of hogs.

(g) For hogs delivered to buying stations, the Contract Price shall be adjusted by our station delivered freight discount in effect at the time of delivery.

(h) The Contract Price, as adjusted by Carcass Buying Program premiums and discounts, to be paid to you for contract hogs may be reduced by an offset as provided in paragraphs 3(e), 3(f) and 11.

(i) The hogs supplied under this Agreement shall be sold F.O.B. destination and title to hogs and risk of loss of hogs pass from you to us at our plant as specified in the carcass pricing rules section of our Carcass Buying Program.

4. TRANSITION PROVISIONS.

(a) If a Long-Term Hog Procurement Agreement between you and us relating to the hog production operation supplying hogs under this Agreement is in effect at the time this Agreement is signed by you and us (**the "Previous Agreement"**), this paragraph 4(a) applies. The Previous Agreement, whether in the initial or extended term, is superseded, amended and restated in its entirety by this Agreement. Any Negative Cash Balance under the Previous Agreement is deemed eliminated and you shall have no obligation to us for such Negative Cash Balance. "**Negative Cash Balance**" means any excess of the aggregate contract price we have paid to you for contract hogs over the total market value, based on our market prices, of those same hogs purchased under the Previous Agreement. No Negative Cash Balance shall arise out of your sale of hogs to us under this Agreement.

(b) If a Long-Term Hog Procurement Agreement between you and us is extended and governed by the terms of this Agreement (**the "Extended Agreement"**), this paragraph 4(b) applies. Nothing in this Agreement shall modify the provisions of the Extended Agreement regarding the duration or termination of the extended term. In particular, you retain the right to terminate the Extended Agreement by paying us cash in an amount equal to the negative cash position under the Extended Agreement. Nothing in this Agreement shall reduce your obligations to us relating to a negative cash position under the Extended Agreement. The negative cash position or positive cash position under the Extended Agreement relating to hogs sold under the terms of this Agreement shall be calculated using the Adjusted Cutout as the market value.

5. YOUR OBLIGATIONS.

(a) You are solely responsible for the operation and management of your hog production operation. You are solely responsible for compliance of your hog production operation with all applicable federal, state and local laws and regulations. Examples include laws and regulations relating to permits to operate your facilities, handling and disposal of manure, and disposal of dead hogs.